

THE MONTANA COAL BOARD

- The Coal Board was created in 1975 with the adoption of the Coal Severance Tax.
- The seven-member board is appointed by the Governor and meets quarterly.
- Its purpose is to provide grants to help communities meet public facility or public service needs that are related to the development or decline of coal mines or coal-fired power generating plants.
- Eligible applicants include cities and towns, counties, consolidated governments, tribal governments, school districts, state agencies, and county or multi-county water, sewer, or solid waste districts or other governmental units.
- The Coal Board is funded from the Oil, Gas, and Coal Natural Resource Account established by the 2005 Legislature through HB 758. The account provides 2.9% of coal severance tax proceeds for coal impact grants and support of the Coal Board. This would provide approximately \$2 million

Basis for Awarding Grants

In reviewing applications, the Coal Board must consider four criteria set out in the law:

1. Need
2. Degree of Severity of Impact from Coal Development or Decline
3. Availability of Funds
4. Degree of Local Effort in Meeting the Need

Grants Awarded in 2006 and 2007

(The locations of the projects are shown on the map on the following page).

During fiscal years 2006 and 2007:

- A total of 31 grant applications were submitted to the Coal Board. Six of these applications have moved to full application status to be evaluated at the March meeting.
- The Coal Board awarded a total of 22 grants, totaling over \$1,040,615.
- The 22 grants ranged from a high of \$105,000 to a low of \$10,000.
- The average grant amount was \$47,300.
- The 22 projects involve over \$1.3 million in other state, federal and local funds.
- The projects included school safety improvements and additions, water and wastewater treatment systems, a solid waste system, backhoes and road equipment, and fire fighting equipment, as well as preparation of community impact plans and preliminary engineering studies.

A vertical scale bar labeled "Miles" with markings at 50, 0, 50, and 100. The bar is divided into segments by horizontal lines, with alternating black and white segments.

CoalBoard06.mxd December 2006

Board Membership

2-15-1821, MCA states that the board consists of seven members:

- 2 from the impact areas,
- 2 with expertise in education, and
- At least 2, but not more than four, from each district provided for in 5-1-102, MCA.

The commission districts are the following counties:

District 1: Lincoln, Flathead, Sanders, Lake, Mineral, Missoula, Ravalli, Powell, Granite, Deer Lodge, Silver Bow, Jefferson, Broadwater, Beaverhead, Madison, Gallatin, Park, Sweet Grass, Stillwater, and Carbon;

District 2: Glacier, Toole, Liberty, Hill, Blaine, Phillips, Valley, Daniels, Sheridan, Roosevelt, Richland, McCone, Garfield, Petroleum, Fergus, Judith Basin, Cascade, Chouteau, Teton, Pondera, Lewis and Clark, Meagher, Wheatland, Golden Valley, Musselshell, Treasure, Rosebud, Custer, Prairie, Dawson, Wibaux, Fallon, Carter, Powder River, Big Horn, and Yellowstone.

Current Board Members

John Williams (Chair), Colstrip, MT
Dan Dutton, Belfry, MT
Chad Fenner, Hardin, MT
Thomas Kalakay, Billings, MT
Gerald Navratil, Sidney, MT
Jan Riebhoff (Vice Chair), Belgrade, MT

Existing and Proposed Development In Montana's "Coal Country"

(See map on the following page.)

Current and proposed Montana coal-related projects include:

- During 2005, the MDU Resources' **Rocky Mountain Power** 116-megawatt coal-fired generating plant at Hardin went on line.
- A coal-fired electric and wood co-generation plant, **Thompson River Co-Gen**, in Thompson Falls is currently off-line pending settlement of an air quality permit issue
- **Great Northern Power Development** of Denver and Kiewit Mining Group of Omaha have proposed a \$1 billion 500-megawatt coal-fired generating plant near Nelson Creek west of Circle, along with an adjacent coal mine, and related infrastructure.
- **Bull Mountain Power** has proposed two 350-megawatt coal-fired generators using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup.

Source: 2006 Coal Council Brochure.

- **The Southern Montana Electric Generation and Transmission Cooperative** is seeking permits to build a \$515 million 250-megawatt coal-fired generating plant at Great Falls.
- **Kennecott, Bechtel, and Wesco** have proposed building a coal plant to generate 3,000 megawatts at Otter Creek.

Montana has six existing coal mines *(with total production from Dec. – Nov., 2005)*:

- **Bull Mountain Mine near Roundup** (208,755 tons)
- **Decker Coal Company at Decker** (8,241,274 tons),
- **Spring Creek Mine in Big Horn County** (12,001,290 tons)
- **Western Energy Company's Rosebud Mine at Colstrip** (12,413,482 tons)
- **Westmoreland Resources' Absaloka Mine at Hardin** (6,588,633 tons)
- **Westmoreland Resources' Mine at Savage** (380,042 tons).

Designated Coal Impact Area

The Coal Board statute says the every two years the Department of Commerce is to designate the counties and governmental units:

- That have had a ten percent increase or decrease in population as the result of coal development, OR
- In which the Department of Environmental Quality (DEQ) has granted a permit for a new coal mine that will produce at least 300,000 tons per year and that will begin production within two years, OR
- In which the production of an existing mine will increase or decrease by at least one million tons per year, OR
- In which DEQ has issued an air quality permit for a coal-burning facility that will use at least one million tons per year of Montana coal and be built within two years, OR
- That are within 100 road miles of a mine or coal burning facility that meets one or more of these criteria.

The Coal Board statute says that no more than 50% of the Coal Board impact funds may be awarded outside the designated impact area.

House Bill 56

TESTIMONY ON HOUSE BILL 56 – REP. DAVE GALLIK

Mister Chairman, Members of the Committee:

For the record, my name is Dave Cole. I am the Administrator of the Community Development Division in the Department of Commerce.

The Coal Board is attached to our division and we provide administrative support for the Board.

I am here to support House Bill 56 and provide background information regarding the Coal Board. I have provided handout materials regarding the Board.

House Bill 56 is simple and straightforward.

It would strike the current provision in the law that limits the amount of funds that can be awarded to Indian tribes to only 7% of the funds allocated to the Coal Board for grants.

The overall population of Native Americans within the thirteen counties in the designated coal impact area is about 7% and that may have been part of the rationale for this restriction.

The impacts of coal development are not equally dispersed over the Designated Coal Impact Area. Most of the coal mines and the coal-fired power generating plants are located in just two counties: Big Horn and Rosebud. As a result, it is reasonable to assume that a majority of the coal-related community impacts are occurring in these counties. These counties are also home to the Crow and Northern Cheyenne tribes. Given the high percentages of Native Americans in these two counties, almost 60% for Big Horn and 33% for Rosebud, the 7% limitation poses a real obstacle for the tribes' ability to apply for needed assistance from the Coal Board.

An example of the problem it poses is an application before the Coal Board that was submitted in 2004, by the Northern Cheyenne Utility Commission on behalf of the Muddy Cluster community. The Coal Board appropriation for the FY 2004-2005 biennium was \$1,500,000. Seven percent of this amount is \$105,000. Because of previous Coal Board grants for projects within the Crow and Northern Cheyenne reservations, the Coal Board told the Tribe that only \$7,000 would be available for them from that biennium.

According to the application for the Muddy Cluster project, *"the tribal water system is tainted with methane, manganese, sulfates, and dissolved solids and threatens the health of tribal members. Many tribal homes lack indoor plumbing."*

The proposed project would:

"Improve the water in Muddy Cluster by installing an 8" water pipe between Lama Deer so that the District can have high quality water for all community residents."

"The project also calls for installing a sequestering agent system in all of the Districts so that the contaminants will not oxidize and stain fixtures, clothing, etc."

The Preliminary Engineering Report states:

"By sampling the wells, it has been shown that well screens plug because of both biological and chemical encrustation. The community of Muddy Cluster has three wells to supply water to the RO (reverse osmosis) plant. Two of these wells have already failed due to encrustation and third has a reduced flow. If the third well fails, the community will be without water. This critical problem will be addressed through the installation of the water pipe between Lame Deer and Muddy Cluster."

The total project cost is estimated at \$273,000. The Tribe requested \$243,000 from the Coal Board and would provide \$30,000 themselves. Because of the 7% limitation, the most the Coal Board could provide to assist the Tribe would be \$105,000 from the appropriation for the 2006-2007 Biennium. The Muddy Cluster situation is a clear-cut public health problem; however, because of the 7% restriction, the Coal Board could only provide less than half of what the Tribe needs to resolve this urgent situation.

Based on the latest information available to us from the Tribe, the problem has still not been resolved.

The 7% limitation could have an even wider impact if additional power plants move forward. For example, if the power plant proposed near Highwood applies for an air quality permit, the designated impact area would take an area which includes the Rocky Boy Chippewa/Cree Indian Reservation. If the Great Northern Nelson Creek project between Jordan and Circle applies for an air quality permit, the designated impact area would take in an area which includes the Fort Peck Assiniboine/Sioux Indian Reservation.

None of the other local entities that are eligible for coal impact assistance face similar restrictions. We believe the current 7% limitation on funding for tribal applications is discriminatory and unjustifiable. The four statutory criteria for evaluating coal impact applications provide a sufficient basis for awarding grants, by themselves, limit the Coal Board's ability to respond to serious community needs.

We ask your support for House Bill 56.